DEVELOPMENT OF FY 07 BUDGET GUIDANCE

NAVIGATION BUSINESS PROGRAM
14 June 2005

Performance-based Programming

- **Provide Safe, Reliable, Efficient, Effective, and Environmentally Sustainable Navigation to the Nation**
  - Get projects on line to start generating benefits
  - Keep projects operating
  - Address new problems
  - Provide tools and support for above

- Budget Ranking Criteria

- **5 year planning cycle**

The Way Ahead

- **The McClellan-Kerr must be manage system**

- **Budget development & work activitie be guided by risk & reliability**

- **System management must be done i collaborative manner w/stakeholders**

- **This work must be tied into the PBB**

Budget Ranking Criteria

CW Program Objective	Budget Objective	Ranking Criteria
1 and 2	Keep ongoing studies or PEDs going if likely to produce recommendation for project (GI) or start new phase of studies or PED (GI).	•Date of agreement – executed or expected. •Commercial tonnage increase. •Percent reduction in delay costs. •Watershed study – Y/N. •Years to complete. •Benefit to Cost Ratio (PED only).
1	Complete ongoing construction to start getting benefits of high performing navigation projects (each contract should be a budget line item) (CG).	•Remaining Benefits Remaining Costs Ratio for project. •Other purpose outputs by BP (ENRWH).
1-4	**Fund adequate data collection (RI)**	**Consequence of inadequate data**

Budget Ranking Criteria

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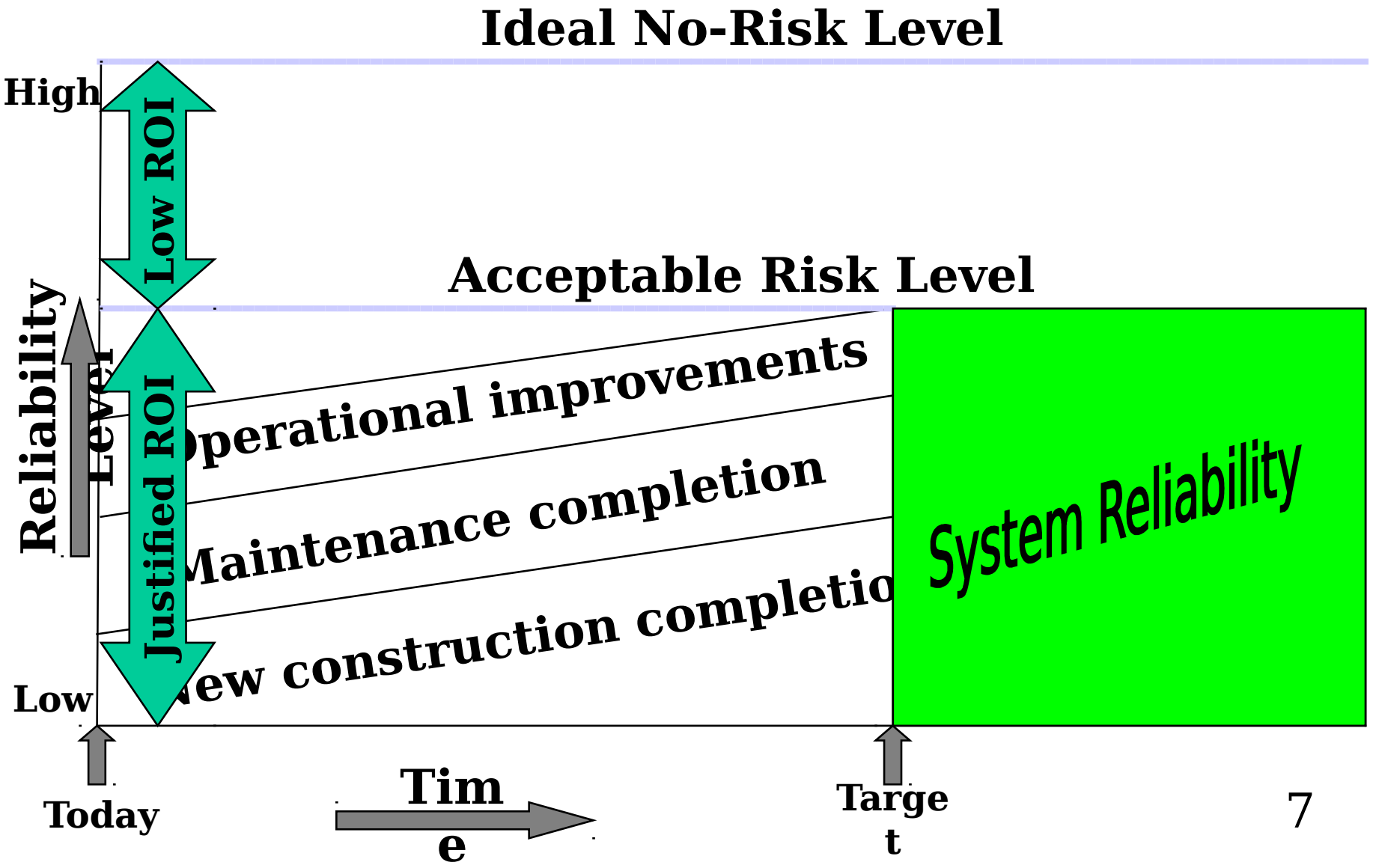
CW Program Objective	Budget Objective	Ranking Criteria
1	Initiate and complete dam safety/seepage projects (CG).	•Relative Risk of failure – risk compared to other Corps dams (Portfolio Risk Assessment – if available for FY07). •Critical loss of pool and/or navigation.
1 and 3	Initiate and Complete Major rehabs (CG)	•IWUB priority •Relative risk of failure •RB/RC
3 and 4	**Operations - Assure that projects perform as designed (O&M).**	**•% of time project is available to operate as designed.** **•Cumulative benefits.** **•Cumulative O&M costs for above benefits (over set period of time).**
3 and 4	**Maintenance – Make sure that projects are safe to operate (managing risk) (O&M).**	**•% of unscheduled closures.** **•% of time project supplies appropriate level of service.** **•% of time project is unsafe for lack of maintenance.** **•High risk system component.**

Key Prioritization Factors

- **Studies (GI)**
  - Signed agreement
  - High-use Commercial projects
- **Construction (CG)**
  - Dam Safety
  - RBRCR
  - Completions
  - High Risk Major rehabs
- **Operations / Maintenance (O&M)**
  - **“must have”**
  - **% of project availability**
  - **High risk maintenance requirements**

Achieve Reliability by Justified Investments



Additional Performance Indicators

- MSC Rank
- Phase & phase completion date
- Initial / Increment
- New / Continuing
- Total BCR (7%)
- RBRC Ratio (7%)
- 5-Yr Avg Commercial Tons
- 5-Yr Avg Sys Ton-miles
- 5-Yr Avg Cost/Ton
- Latest Yr Commercial Tons
- Latest Yr Sys Ton-miles
- Total Project Cost
- Completion date
- Watershed
- Other purpose outputs

- % of time project is available to perform as designed
- Portfolio risk (Dam safety)
- Legal / safety issues
- Consequences
- Purpose
- Remarks

“Initial” Definition

- **No new GI or CG starts or phases**
- **No more than the amount in the FY 2006 budget for that study or PED; zero if no longer likely to produce a high performing project**
- **Funding (CG) needed (no more, no less) for estimated contractor earnings and associated contract management costs for contracts funded in FY 2006 & continuing into FY 2007; zero if not budgeted or considered for suspension**
- **O&M – “must have” or “bare bones” O and M**
  - **greatest benefit for the investment consistent with performance measures and sufficient to meet minimum legal responsibilities for environmental compliance, operation and safety**
  - **Additional increments to add demonstrated increases in performance**
  - **High risk maintenance**
- **Starting point to build performance based budget – 75%**
- **"Initial" does not mean "Adequate"**

O&M INITIAL INCREMENT

What is included
What is not

1. Bare Bones Operations costs (locks) — **May not be full 24-hour operation**

2. Bare Bones maintenance (locks) — **would not be all maintenance needs**

3. Dredging high use commercial deep draft and inland projects or high use segments of projects — **no advanced maintenance dredging**

4. Dredging subsistence harbors

5. Dredging Critical harbors of refuge — **does not include all harbors of refuge**

6. On-going major maintenance of high use proj/segments — **does not include new major maintenance**

7. Critical maintenance of disposal areas for 3 above — **does not include routine maintenance of CDFs**

8. Critical studies for high risk coastal structures — **does not include studies of all structures**

9. Bare bones debris removal/obstruction removal at high use ports — **does not include all projected removal needs**

10. Critical studies to complete DMMP for CDF construction — **not routine, non time critical DMMPs**

11. On-going (studies and work) major rehabs of high-use projects — **does not include new rehabs**

12. Critical Removal of Aquatic growth (RAG) — **does not include all removal of aquatic growth**

INCREMENT 1.1

- Surveillance of Northern Boundary waters

- RAG for high use projects
- PCS (include low use)
- new start gate replacement /rehab study on high risk, system impacts
- Critical advanced maintenance dredging on hi use projects
- Caretaker funding for projects or segments not expected to be funded
- critical on-going non-routine maintenance
- dredging and operations of low-use subgroup that have commerce, commercial fishery, multi agency requirements, and/or public transportation

Challenges

Last Year's

- Lack of data for ranking projects
  - Identify data needed & better definitions
  - Develop effective & efficient process to collect data
  - Quality Control
  - Funding
- Ranking criteria for O&M & GI – what's best to define performance?
- Optimization of budget given funding constraints – what is proper mix?
  - Within business program
  - Among business programs
- What is ASA(CW) and OMB going to want?

This Year's Response

- Field better recognizes data needs
  - **Stakeholders participate in revising criteria**
  - More time to prepare
  - **Basic data still an issue**
  - Still expectation for past funding levels
- Using "must have" for O&M
  - Separate O and M items
  - **Risk based**
  - Prescribed Initial increment
- Mix among business programs still based upon historical levels
- Learned from last year and earlier discussions – new requirements will still come up, such as systems and segments and $2/ton , 5-yr Management Plans

Partnership

- PBB requires more rigor
- Corps must be accountable
- Cannot be done w/o stakeholders @ table
- We are managing risk and we must manage it too
- 5 year plan will facilitate our partnership